

Refocusing Responsibility For Dual Eligibles: Why Medicare Should Take The Lead

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Dual Eligibles are Medicare's Responsibility:

Dual eligibles—persons who receive benefits from both Medicare and Medicaid—account for nearly 40 percent of the programs' costs, and are a major focus of efforts to slow growth in entitlement spending. Improvements in Medicare-financed services is the most direct path to better care for dual eligibles at lower costs.

- *The federal government pays the bulk of the costs for dual eligibles.* Eighty percent (\$256.6 billion) of the \$319.5 billion estimated as spent on dual eligibles in 2011 are federal dollars, with more than two-thirds coming through Medicare.
- *Improving Medicare-financed care is key.* Dual eligibles experience a high level of unnecessary hospitalizations. These admissions—almost fully financed by Medicare—are the most immediate target for both spending reductions and quality improvements in care for dual eligibles.
- *The Affordable Care Act (ACA) charges Medicare with making these improvements.*

Putting the States or Medicaid in the Lead is Risky:

- *Medicaid pays for dual eligibles' long-term, not acute, care.* Seventy percent of Medicaid's total spending for dual eligibles goes to long-term services, though only 30 percent of dual eligibles actually receive these services. For most dual eligibles, Medicaid plays a limited, primarily financial role—paying premiums, some cost-sharing, and wrap-around services that Medicare does not cover.
- *Most Medicaid managed care plans don't deal with dual eligibles.* Medicaid managed care plans lack both experience and capacity to handle the care needs of the most expensive dual eligibles.

- *Giving states too much responsibility risks enabling cost-shifting from state to federal budgets.* Assigning states responsibility over Medicare and Medicaid funds for dual eligibles (as authorized by the ACA) would allow states to substitute Medicare funds for expenditures Medicaid would otherwise make.

The Bottom Line: Medicare Should Do Its Job

Medicaid has an important role to play in improving dual eligibles' care, but the current focus on state initiatives cannot absolve Medicare of its fundamental responsibilities for dual eligibles. Medicare must step up with measures that include the following:

- *Aggressive oversight and "pay for performance" in Medicare Special Needs Plans (SNPs).* Dual eligibles constitute roughly one million of the 1.3 million people enrolled in SNPs, whose capitated payments from Medicare should be tied to performance standards related to quality of care.
- *Increased emphasis on dual eligibles in ACA-authorized Medicare payment and delivery reforms.* Chronically ill people with impairments—about half of whom are dual eligibles—are likely to benefit from ACA initiatives and yield Medicare substantial savings in the process.
- *Skilled Nursing Facility (SNF) payment policies to prevent unnecessary hospitalizations for nursing home residents.* Medicare should: 1) finance nurse practitioners in nursing homes to coordinate frail residents' care, and 2) apply performance standards to penalize SNFs with excessive rates of residents' preventable hospitalizations.

The [full report](#) prepared by researchers at the Urban Institute goes into further detail.